



Regulatory Update

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1. DIFC AND DFSA LATEST DEVELOPMENTS

1.1 DFSA Enhances Crypto Token Framework

On 3 June, the Dubai Financial Services Authority ('DFSA') announced some key amendments to its Crypto Token regime. The changes follow the proposals outlined in Consultation Paper 153 published in January 2024 "Updates to the Crypto Token Regime".

Amendments address the following areas:

- Funds
 - ability to offer Units of External and Foreign Funds investing in recognised Crypto Tokens
 - ability for Domestic Qualified Investor Funds to invest in unrecognised Crypto Tokens.
- Custody
 - custody and staking of Crypto Tokens.
- Financial Crime
 - financial crime compliance guidance
 - transaction monitoring and blockchain analysis.
- Recognition of Crypto Tokens
 - recognition criteria for Fiat Crypto Tokens (stablecoins)
 - fee for recognition of Crypto Tokens.

You can read the DFSA article in full [here](#).

1.2 DFSA Issues Dear SEO Letter

On 11 June, the DFSA issued Dear SEO letter "Findings from the 2023-2024 Thematic Review on Firm Disclosures". By 'disclosures', the DFSA means all client communications including, but not limited to, Financial Promotions and other marketing materials.

The Thematic Review was conducted in three stages. The first phase consisted of an initial desk-based review of 396 Authorised Firms' websites. The second phase consisted of a survey to a selected sample of 38 Authorised Firms with different business models. The third phase consisted of senior management meetings with a small number of Authorised Firms to carry out a more detailed analysis.

The key findings identified weaknesses in the following areas:

- Financial Promotions requirements
- approval and ongoing monitoring of Financial Promotions
- marketing material intended for Professional Clients
- disclosures in marketing materials
- scope of services
- disclosure of regulatory status and contact details
- use of DFSA's logo.

Authorised Firms are expected to review their marketing materials, and associated policies, procedures, systems and controls considering these findings and ensure compliance against their obligations under the applicable DFSA rules.

You can read the Dear SEO letter [here](#).

1.3 DIFC Academy and CMT Association Forge Strategic Partnership

On 6 June, the Dubai International Financial Centre ('DIFC') Academy and the Chartered Market Technician ('CMT') have announced a partnership and signed a Memorandum of Understanding ('MoU'). This partnership aims to develop training programmes in behavioural finance, FinTech integration, market strategy and technical analysis. It is designed to cater to the evolving needs of finance professionals.

You can read the DIFC article in full [here](#).

1.4 DFSA Publishes Report on Liquidity Thematic Review

On 27 June, the DFSA published a report on the Assessment of the Implementation of the Liquidity Coverage Ratio ('LCR'). Liquidity risk is key for financial institutions which are engaged in intermediation such as those that accept deposits. The DFSA is committed to ensuring that financial institutions have strong defences against liquidity risks and therefore impose specific quantitative measures.

The key findings were as follows:

- firms' overall DIFC portfolios of liquid assets are of good quality
- firms prioritised the holding of High-Quality Liquid Assets ('HQLA') Level 1 assets over potentially higher yielding but lower quality Level 2 assets
- certain firms had erroneously included ineligible securities in the pool of liquid assets forming part of the HQLA calculation
- there were certain issues around the valuation of the liquid assets, specifically concerning the methodology used to value the assets
- there were instances identified where certain firms had not implemented, or had misinterpreted, certain of the operational requirements concerning management of the pool of liquid assets, such as periodical monetisation of the portfolio and the price decline test.

The DFSA expects all firms that are subject to the LCR requirement to review the report and assess the relevance of the findings to the firm. Where appropriate, firms should implement actions to remedy identified deficiencies.

You can read the DFSA article in full [here](#). You can read the full report [here](#).

Further information

If you have any questions or concerns regarding these DIFC and DFSA developments and requirements, please contact [Nigel Pasea](#).

2. ADGM AND FSRA LATEST DEVELOPMENTS

2.1 FSRA Issues Alert Over Misleading Claims

On 5 June, the Financial Services Regulatory Authority ('FSRA') of the Abu Dhabi Global Market ('ADGM') alerted members of the public about misleading claims by Manra Capital over the "Tharwa Fund", a purported fixed-return real estate fund.

Manra Capital falsely claimed in a brochure for a proposed marketing event that the Tharwa Fund was “overseen” and “supervised” by the FSRA.

The FSRA advises the following:

- Manra Capital is not and has never been licenced by the FSRA to carry on any form of Regulated Activities
- Manra Capital is not and has never been incorporated in the ADGM or licenced to undertake any form of commercial activities in the ADGM
- the Tharwa Fund is not and has never been established as a Collective Investment Fund in the ADGM.

You can read the ADGM alert in full [here](#).

2.2 FSRA and Bermuda Monetary Authority Sign MoU

On 10 June, the ADGM announced that the FSRA signed a Digital Assets Memorandum of Understanding (‘MoU’) with the Bermuda Monetary Authority (‘BMA’).

The MoU seeks to create a framework for collaboration between the BMA and FSRA to support the establishment of digital assets entities across their jurisdictions and ensure their effective supervision. This framework covers regulatory and supervision cooperation, investigative assistance and capacity enhancement initiatives.

You can read the ADGM article in full [here](#).

2.3 FSRA Issues Dear SEO Letter

On 10 June, the FSRA issued a Dear SEO Letter on “Thematic Review on Anti-Money Laundering and Counter Financing of Terrorism (AML/CFT) and Targeted Financial Sanctions (TFS)”. The FSRA will be conducting a thematic review on AML/CFT/TFS to assess the effectiveness of Authorised Person’s (‘AP’) systems and controls.

The scope of the thematic review will cover the followings areas:

- risk based approach
- onboarding
- targeted financial sanctions
- suspicious activity reporting.

The above aspects will be assessed against the FSRA AML Rulebook, Federal Decree-Law No. (20) of 2018 and its amendments, Cabinet Resolution No. 10 of 2019 as amended by Cabinet Decision No. (24) of 2022, and the obligations outlined in Cabinet Resolution No. 74 of 2020. All Relevant Persons will be required to submit a response to a survey by 28 June. Following the survey, a number of APs may be selected for further review.

2.4 FSRA Connect Portal

On 6 June, the FSRA issued a Dear SEO Letter on “FSRA Connect Portal”.

This was to highlight that the following forms and requests must be submitted through the portal:

- Approved Person Status (‘APS’)
- all regulatory reporting, except EPRS submissions
- other reports, if required
- supervision fee payments.

There will be further enhancements to the FSRA Connect Portal over the next few months including for:

- submission of change in control applications
- application for FSP cancellation
- application for variation of permission
- applications for waivers/modifiers
- funds-related activity
- EPRS integrations.

Further notifications will be issued upon implementation.

2.5 FSRA Issues Alert Concerning Fraudulent Website

On 24 June, the FSRA issued an alert to the financial services community about the fraudulent nature and false claims made on the website at URL: “<https://sterwaholdings.com/index.html>”.

The website is falsely imitating the website of Sterwa Holdings, an entity that is regulated by the FSRA. The FSRA advises the public that this website is not associated with an entity regulated by the DFSA and that the operators of the website are not licenced or authorised to carry on Regulated Activities in or from the ADGM.

The FSRA believes that the website has been created for the purpose of conducting fraud, by harvesting personal identifiable information and other credentials.

You can read the ADGM alert in full [here](#).

2.6 ADGM RA Issues Consultation Paper

On 14 June, the ADGM Registration Authority (‘RA’) issued “Consultation Paper No.5 of 2024”. The Consultation Paper invites public feedback and comments on proposed amendments to:

- the Companies Regulations 2020
- the Commercial Licensing Regulations (Controlled Activities) Rules 2022
- the Commercial Licensing Regulations (Conditions of Licence and Branch Registration) Rules 2023.

The amendments seek to enhance the Single Family Office (‘SFO’) regime, the Restricted Scope Company (‘RSC’) Regime and the company charge registration regime for continuing companies.

The key features of the RA’s proposals are as follows:

- remove inconsistencies under the Companies Regulations 2020
- provide clarity as to what constitutes SFO activity in the ADGM
- introduce minimum requirements to ensure the SFO regime is not abused in the ADGM
- clarify when an RSC application can be made.

You can read the Consultation Paper in full [here](#). Comments are welcome until 14 July 2024.

2.7 Abu Dhabi Finance Week

On 13 June, the ADGM announced that under the patronage of His Highness Sheikh Khaled bin Mohamed bin Zayed Al Nahyan, the Crown Prince of Abu Dhabi and Chairman of the Executive Council, the theme of the third edition of Abu Dhabi Finance Week (‘ADFW’) will be “Welcome to the Capital of Capital”. The event is the flagship financial event of the Middle East, Africa and Southern Asia (‘MEASA’) region and will run from 9 till 12 December.

ADFW 2024 seeks to explore the opportunities created when monetary capital is combined with top tier human capital, technological capabilities and innovations emerging in various industries.

You can read the ADGM article in full [here](#).

Further information

If you have any questions or concerns regarding these ADGM and FSRA developments and requirements, please contact [Shadi Dajani](#).

3. MIDDLE EAST REGULATORY UPDATES

3.1 UAE SFWG Launches Principles for Sustainability-Related Disclosures

On 12 June, the Securities and Commodities Authority ('SCA') announced that the United Arab Emirates ('UAE') Sustainable Finance Working Group ('SFWG') launched the "Principles for Sustainability-Related Disclosures for Reporting Entities". These principles act as a proclamation of common understanding among the UAE SFWG members of the minimum expectations in this area to ensure the progression and enactment of disclosure frameworks in line with these principles.

The principles highlight the following four major considerations for reporting entities:

- having in place adequate policies, procedures and systems for reporting on sustainability-related matters
- taking into consideration factors such as relevance, materiality, transparency and stakeholder engagement when disclosing information
- disclosures must mirror the way they operate such as including governance, strategy and risk management
- market participants should consider specific elements when dealing with and offering sustainability-related products.

Following the announcement and subsequent signing, the UAE SFWG member authorities will officially release the principles for licenced financial institutions.

You can read the SCA article in full [here](#). You can read the full text of principles [here](#).

3.2 CBUAE Issues 2023 Annual Report

On 13 June, the Central Bank of the United Arab Emirates ('CBUAE') released its 2023 Annual Report which provides a detailed analysis of financial and economic developments domestically, regionally and globally, as well as, stating the CBUAE's actions and progress during 2023.

A few key highlights are as follows:

- the UAE's real Gross Domestic Product ('GDP') growth stood at 3.6% in 2023
- the financial sector achieved 11.1% in growth in total assets
- there was significant progress against the CBUAE's 2023-2026 strategy in areas of financial stability, insurance, banking, financial crime supervision, digitisation, consumer protection and monetary policy
- the CBUAE carried out 247 prudential examinations in 2023 to ensure the soundness of the financial sector.

You can read the CBUAE article in full [here](#). You can read the 2023 Annual Report [here](#).

3.3 MoE at COMCEC Ministerial Meeting

On 13 June, the Ministry of Economy ('MoE') announced that during its participation in the third ministerial meeting of the Negotiating Committee of the Standing Committee for Economic and Commercial Cooperation of the Organisation of the Islamic Cooperation ('COMCEC'), the UAE reaffirmed its readiness to cooperate and offer its commercial abilities to support the Organisation of Islamic Cooperation's ('OIC') economic objectives.

During the meeting, His Excellency Juma Al Kait, Assistant Undersecretary for Foreign Trade Affairs at the Ministry of Economy, stressed the importance of operationalising trade cooperation mechanisms and enhancing trade transparency among member countries through legal instruments such as the OIC Trade Preferential System Framework Convention and OIC Trade Preferential System Protocol ('PRETAS'). The meeting also included discussions to enhance economic and trade cooperation among Islamic countries, focusing on establishing the Islamic Common Market and implementing trade liberalisation measures.

You can read the MoE article in full [here](#).

Further information

For any questions or concerns regarding these updates, please contact [Mohsin Ismail](#).

4. INTERNATIONAL UPDATES

4.1 FATF Updates Consolidated Ratings

On 24 June, the Financial Action Task Force ('FATF') published an updated consolidated ratings table. The table summarises jurisdictions' progress against the 40 FATF Recommendations. The recommendations assess the jurisdiction's maturity against Anti-Money Laundering, Counter Terrorist Financing and Proliferation Financing measures.

You can read the consolidated ratings table in full [here](#).

4.2 FATF Plenary Outcome

On 28 June, the sixth and final plenary of the FATF under the Presidency of T. Raja Kumar of Singapore concluded. Delegates representing more than 200 members of the Global Network and observer organisations, including the World Bank, United Nations, INTERPOL, International Monetary Fund and Egmont Group of Intelligence Units were in attendance.

Delegates discussed crucial issues such as prioritisation criteria for reviewing countries with strategic deficiencies in their AML/CFT regimes (i.e. FATF's black and grey lists) and modifications to its assessment methodology to reflect revisions to the FATF Standards.

A summary of the outcome is as follows:

- FATF removed Turkey and Jamaica from its "Jurisdictions under Increased Monitoring list", also known as the "grey list" following successful on-site visits
- FATF added Monaco and Venezuela to the "grey list"

- FATF reiterated its concerns over the Democratic People's Republic of Korea ('DPRK') continued failure to address the significant deficiencies in its AML/CFT regime
- revisions regarding the criteria for prioritising countries under its International Cooperation Review Group ('ICRG') process will apply for the next round of evaluations
- the second Learning and Development forum was hosted
- the suspension of the Russian Federation continues to stand
- members approved the priorities of the FATF under the incoming Mexican presidency which include a focus on financial inclusion and strengthening cohesion of the Global Network.

You can read the outcomes of the FATF Plenary [here](#). You can read the updated Grey List [here](#). You can read the Call for Action for High-Risk Jurisdictions [here](#).

Further information

For any questions or concerns regarding these updates, please contact [Mohsin Ismail](#).

ABOUT WAYSTONE COMPLIANCE SOLUTIONS

Waystone Compliance Solutions offers a new and unique approach to compliance services at a corporate level.

As a truly global partner, we have the capabilities to help you manage regulatory risk right across your organisation.

We can provide key services from initial registration and licensing to compliance programme integration. Our compliance solutions span business strategies, market activities, and operational and technology infrastructure, not to mention sales and marketing procedures. And we can do so anywhere in the world.

Our aim at Waystone is simple: to enable our clients to navigate the complex regulatory environment with confidence.

At Waystone, we have brought together the experience, the expertise, and the global reach to give you the certainty you need to address the ever-changing regulatory world. And by doing so, provide you with a secure route on the road to success.

<https://compliance.waystone.com/>

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- Authorisation
- Outsourcing (Compliance Officer, MLRO, Finance Officer and Data Protection Officer)
- Documentation
- Training

If you wish to discuss how Waystone can assist you with any of the issues raised in this regulatory update, please contact us using the details below:

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This regulatory update provides information about the consultative documents and publications issued by various regulators which are still current, proposed changes to the Rules and Guidance set out in Handbooks, actual changes to Rules and Guidance that have occurred in the months leading up to the update and other matters of relevance to regulated firms. This regulatory update is intended to provide general summarised guidance only, and no action should be taken in reliance on it without specific reference to the regulators' document referred to therein.